
LEGAL SERVICES CORPORATION

BOARD OF DIRECTORS' SEMI-ANNUAL REPORT TO THE CONGRESS

Decisions, Final Actions, and Comments
on the Office of Inspector General's
Semi-Annual Report to the Congress

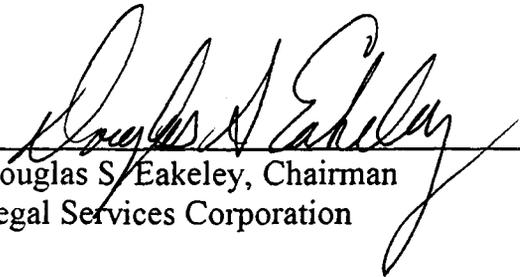
October 1, 1995 - March 31, 1996

May 21, 1996

FORWARD

I am pleased to transmit the report of the Legal Services Corporation ("LSC" or "Corporation") regarding the Semiannual Report of LSC's Office of Inspector General ("OIG") for the six-month period of October 1, 1995 through March 31, 1996.

The Corporation's Board of Directors ("Board") recognizes the value of the Inspector General function and is committed to working with the Inspector General to achieve our goal of providing high quality legal assistance to the poor of our nation.



Douglas S. Eakeley, Chairman
Legal Services Corporation

May 21, 1996

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EXECUTIVE SUMMARY

The Board of Directors continues to work with its Office of Inspector General (“OIG”) in seeking to assure full implementation at the Corporation of both the letter and spirit of the Inspector General Act and its amendments.

The Corporation converted its grantmaking system to one of competition for grants and promulgated regulations that 1) implement competition for grants, 2) require timekeeping by the Corporation’s grantees, and 3) restrict grantees’ representation of individuals in certain public housing evictions. It also began planning for the enforcement of all other new restrictions on the use of funds for the delivery of legal assistance contained in pending appropriations legislation and began and largely completed the process of developing a new *Accounting Guide for Recipients and Auditors*.

BACKGROUND

The Legal Services Corporation: An Overview

The Corporation is a private, non-profit corporation established in the District of Columbia by the Legal Services Corporation Act of 1974, as amended ("LSC Act"),¹ to provide financial support for legal assistance in non-criminal proceedings to persons unable to afford legal services. Under the LSC Act, the Corporation is governed by an eleven-member Board of Directors appointed by the President of the United States, by and with the advice and consent of the Senate. The Board appoints the President of the Corporation, who serves as the Corporation's chief executive officer, subject to general policies established by the Board.

The 1988 Amendments to the Inspector General Act of 1978 extended specific provisions of the 1978 Act to LSC and required LSC to establish an OIG. Accordingly, such an office was established by and for the Corporation. The Inspector General is appointed by, reports to and serves under the general supervision of the Corporation's Board of Directors.

Grant Activities

To carry out the purposes of the LSC Act, Congress appropriated the Corporation \$278-million for fiscal year 1996. Pub. L. 104-134. The Corporation funded 281 legal services programs, providing basic field services in 273 general basic field service areas, 47 migrant service areas and 30 Native American service areas.²

LSC Management Initiatives

During the reporting period, the Corporation focused much of its energy on implementation of a competitive system for the award of grants for calendar year 1996. The Board developed and promulgated a comprehensive regulation to implement the Corporation's system of competition for the award of grants and contracts for the delivery

¹ 42 U.S.C. §§ 2996 - 2996l.

² Some programs receive more than one type of basic field grant.

of legal services to eligible clients. A widely distributed and publicized³ Request for Proposals resulted in 294 applications for funding. Competition resulted in 41 service areas and, as of the date of this report, eight new service entities have been awarded grants. The new grantees will provide legal assistance in 20 service areas.

Although legislation appropriating funds to the Corporation for fiscal year 1996 had not yet been enacted, the pending legislation contained new restrictions on the use of funds for the delivery of legal assistance. The Board considered the then pending legislation to reflect the will of the Congress and, during the reporting period, the Corporation's management began planning for implementation and enforcement of these new restrictions. The Board started by developing and adopting a regulation that requires timekeeping by the Corporation's grant recipients and another that restricts grantees' representation of individuals in certain public housing evictions. (Both of these regulations, as well as the one on competition for grants, became effective on May 1, 1996.) The OIG, as well as the interested public, worked closely with the Board and Corporation's staff on all three of these regulatory efforts. Management also began and largely completed the process of developing a new *Accounting Guide for Recipients and Auditors* ("Accounting Guide") to replace the accounting portions of the current *Audit and Accounting Guide for Recipients and Auditors*.

³ Public notice included publication in the *Federal Register*, newspapers and bar association journals, and personal letters to state governors, IOLTA Directors and existing legal services providers.

REGULATORY REVIEW

The enactment of Pub. L. 104-134, the Corporation's appropriating legislation for the balance of fiscal year 1996, has provided definitive legislative direction to guide the Board in its review and revision of existing regulations. It is a priority of the Board to promptly and fully implement the various new requirements and restrictions imposed by that legislation. The OIG has been a helpful element of the Corporation's regulatory process, providing comments to proposed regulations and regulatory revisions, most of which have been incorporated into the final version. The Board and staff anticipate that this productive relationship will continue throughout the upcoming period of increased rulemaking activity.

PROGRAM ASSESSMENT

The Corporation's goal is to provide through its grantees high quality legal assistance to the poor of our nation in the most effective and economical manner possible. It considers all means of improving its programs' capacity to provide meaningful access to justice.

PROGRAM INTEGRITY

Accounting Guide

During the reporting period, management began and largely completed the process of replacing the accounting sections of the Corporation's *Audit and Accounting Guide for Recipients and Auditors* with a new *Accounting Guide for Recipients and Auditors* ("Accounting Guide"). The new *Accounting Guide* will replace outdated rules with rules that reflect current Generally Accepted Accounting Principles, such as those reflected in the Financial Accounting Standards Board's Statements of Financial Accounting Standards Nos. 116 and 117. It is anticipated that the proposed *Accounting Guide* will be published shortly in the *Federal Register* for comment and that it will be finalized and adopted by the Board of Directors sometime in the next few months.

Status of Recommendations

Three of the five recommendations from the last reporting period were fully implemented during this reporting period and management is addressing the remaining two recommendations.

Corporation's Annual Financial Statement Audit

The annual audit of the Corporation's accounts and financial records was completed and will be presented to the Board at its meeting on May 20, 1996.

TABLE 1**Management Report on Office of Inspector General Audits
With Questioned Costs****For the Six-Month Period Ending March 31, 1996**

	Number of Reports	Questioned Costs	Unsupported Costs
A. Audit Reports for which no management decision had been made by the commencement of the reporting period.	0	\$ 0	\$ 0
B. Audit Reports issued during the reporting period.	0	\$ 0	\$ 0
Subtotals (A + B)	0	\$ 0	\$ 0
MINUS:			
C. Audit Reports for which a management decision was made during the reporting period:	0	\$ 0	\$ 0
(I) dollar value of the recommendations that were agreed to by management	0	\$ 0	\$ 0
(ii) dollar value of the recommendations that were not agreed to by management	0	\$ 0	\$ 0
D. Audit Reports for which no management decision had been made by the end of the reporting period.	0	\$ 0	\$ 0
Audit Reports for which no management decision had been made within six months of issuance.	0	\$ 0	\$ 0

TABLE 2

**Management Report on Audit Reports Issued During
the Six-Month Period Ending March 31, 1996
With Recommendations That Funds Be Put to Better Use**

	Number of Reports	Dollar Value
A. Audit Reports for which no management decision has been made by the commencement of the reporting period.	0	0
B. Audit Reports issued during the reporting period.	0	0
Subtotals (A + B)	0	0
MINUS:		
C. Audit Reports for which a management decision was made during the reporting period:	0	0
(I) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. Audit Reports for which no management decision had been made by the end of the reporting period.	0	0
Audit Reports for which no management decision had been made within six months of issuance.	0	0